

Message Text

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ACTION EB-08

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FM AMEMBASSY LAGOS
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PASS EB/TCA/OA

E.O. 11652: N/A
TAGS: EAIR, NI
SUBJECT: PROBLEMS FOR PAN AMERICAN AIRWAYS IN NIGERIA

REF: (A) LAGOS 10432, (B) STATE 217100

1. SUMMARY: PAN AMERICAN AIRWAYS (PAA) OFFICIALS IN LAGOS CALLED ON EMBASSY SEPT. 21 TO DISCUSS PENDING BILATERAL AGREEMENT TALKS AND AT SAME TIME DESCRIBE THREE SERIOUS PROBLEMS: RETROACTIVE SURCHARGES ON JET FUEL; A LARGE UNPAID DEBT FOR PILGRIMAGE CHARTER SERVICES; AND STALLED FOREIGN EXCHANGE REMITTANCES.

2. PAA OFFICE HERE VERY GRATEFUL FOR USG EFFORTS TOWARD FIRING UP BILATERAL AGREEMENT NEGOTIATIONS. PER FMG CLAIM THAT AIRLINE ENJOYS ONE-SIDED PRIVILEGE IN HAVING PERMISSION
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TO FLY IKTTTO NIGERIA, PAA/LAGOS RECENTLY INFORMED BY HOME OFFICE THAT CAB HAD ALREADY APPROVED NIGERIA AIRWAYS FLIGHTS TO U.S. AS MENTIONED REFTTEL B. SEARCH OF LOCAL PAA FILES REVEALED CAB DOCUMENT WITH DOCKET NO. 27970 AND ORDER NO. 76-4-77 GRANTING NIERIOCAIRWAYS PERMISSION TO FLY NEW YORK WITH INTERMEDIATE POINTS IN WEST AFRICA AND MOROCCO FOR PERIOD OF THREE YEARS BEGINNING APRIL 15, 1976. WE WILL BRING THIS TO MIN CIVAIR'S

ATTENTION AT EARLIEST OPPORTUNITY.

3. PAA HURT BY SERIES OF ACCUMULATING PROBLEMS. FIRST OF THESE IS RECENT FMG IMPOSITION OF 15-CENT/GALLON SURCHARGE ON JET FUEL RETROACTIVE TO SEPTEMBER 1976. PAA ESTIMATES ITS COST AT DOLLARS 45,000. (LUFTHANSA PUTS ITS COST AT DOLLARS 150,000.) PAA NEW YORK SUGGESTS BONDED FUEL TO CIRCUMVENT TAX. LOCAL MANAGER DESIRES SEE MATTER RAISED AT ICAO AND HAS URGED PAA NEW YORK TO TAKE APPROPRIATE ACTION TO EFFECT THIS.

4. PAA SPOKESMAN ALSO REVEALED THAT THE NIGERIAN PILGRIMS BOARD OWES DEBT OF DOLLARS 5000,000 SINCE DEC-JAN 1976-77. DR. ATTA, PERMSEC OF BOARD, ORIGINALLY STATED THAT CENTRAL BANK HAD APPROVAL TO PAY AIRLINE. HOWEVER, IN CONFRONTING BANK, PAA DISCOVERED THAT FUNDS HAD NOT BEEN DEPOSITED IN PILGRIM BOARD ACCOUNT TO MAKE PAYMENT. BOARD THEN CLAIMED INABILITY TO PAY, SINCE INDIVIDUAL STATES, WHO ARE ULTIMATELY RESPONSIBLE FOR DEBT, WERE NOT SUPPLIED FUNDS BY FMG. PAA INFORMED EMBOFFS THAT ITS LAGOS OFFICE NOW HAS PERMISSION FROM NEW YORK TO INITIATE COURT ACTION FOR RECOVERY OF DEBT AT END OF SEPTEMBER. CONSIDERING OBASANJO'S PRESENCE IN WASHINGTON IN OCTOBER, PAA HAS DECIDED TO DELAY ANY ACTION UNTIL AFTER STATE VISIT.

5. PAA SAID THAT CONTINUING PROBLEM OF REPATRIATION OF FOREIGN EXCHANGE WAS BECOMING ACUTE. DOLLARS ONE MILLION PAYMENT FOR SERVICES IN FIRST QUARTER OF YEAR REMITTED BUT PAYMENT FOR LIMITED OFFICIAL USE

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SECOND AND THIRD QUARTERS APPROXIMATING DOLLARS 4 MILLION STILL BEING HELD BY CENTRAL BANK. PAA FEELS RELEASE OF EXCHANGE SLOWED DOWN BY CURRENT FOREIGN EXCHANGE SCANDAL AND BY NEW REQUIREMENT THAT PAN AM SUBMIT FORMS SHOWING PAYMENT OF TAX.

6. ECON COUNSELOR MET WITH MINISTRY FINANCE PRINCIPAL SECRETARY BELLO SEPT. 22 TO EXPLORE WHAT LEVERAGE MINISTRY COULD PUT ON CENTRAL BANK TO RESTORE ADEQUATE PROCESSING OF FOREIGN EXCHANGE APPLICATIONS. COUNSELOR DESCRIBED NEGATIVE IMPACT WHICH STALL WAS HAVING ON BUSINESS COMMUNITY AND ECONOMY.

7. BELLO ADMITTED MINISTRY WAS INCREASINGLY ANXIOUS OVER SITUATION AND WAS ADVISING BANK TO FURNISH ACCEPTABLE SERVICE. PRIOR TO ISSUANCE OF RECENT FOREIGN EXCHANGE DECREE MINISTRY HAD INITIATED VIGILANCE CAMPAIGN ON BANK OPERATIONS TO ENSURE MORE ACCURATE SERVICE. AN UNFORESEEN EFFECT WAS TO DISCOURAGE EMPLOYEES FROM MAKING DECISIONS. SINCE ISSUANCE OF DECREE FEARS AMONG BANK PERSONNEL HAVE TAKEN ON PANIC PROPORTIONS. COMPOUNDING THE PROBLEM, ACCORDING TO BELLO, IS THE FACT THAT IT IS DIFFICULT TO TAKE POWERS AWAY FROM AN AGENCY ONCE THEY ARE GIVEN. THE MINISTRY WILL DO WHAT IT CAN BUT IT SEES LITTLE IMPROVEMENT IN BANK'S FOREIGN EXCHANGE ACTIVITIES IN THE NEAR

FUTURE.
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